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## CURRENT SUPPORT BRIEF

PETROLEUM DISTRIBUTION DIFFICULTIES IN THE USSR

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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PETROLEUM DISTRIBUTION DIFFICULTIES IN THE USSR

Recent irregularities in the Soviet petroleum situation--for example, shortages at some sea ports and failures to meet some export commitments--have caused considerable speculation. A probable--but by no means conclusive--explanation of this situation is suggested by evidence of difficulties with the distribution system. In recent years localized disruptions have occurred at fairly frequent intervals and are especially likely at this time of year when the economic activity within the country reaches a peak. In general, distribution problems are the result of 1) petroleum production increasing at a rate higher than planned for under the Seven-Year Plan, 2) shortages of tank cars, 3) disruptions in the handling of the freight, and 4) delays in oil pipeline construction.

The production of crude oil during the first two years of the Seven-Year Plan has consistently exceeded the annual goals. Cumulative above-plan production of crude oil during 1959 and 1960 totaled 5.3 million tons. Because of these successes the original control figure of 161 million tons for 1961 was revised upward to 164 million tons. Continuation of the 13 percent growth rate achieved during the first six months would indicate an annual production of 167 million tons for 1961, or an increment of 6 million tons in excess of the original control figure.

The success in meeting and overfulfilling crude oil production goals has not been matched in the installation of petroleum pipelines. The oil pipeline construction program has failed to meet any of the annual goals since 1955, largely because of a lack of steel pipe and, until 1961, because of the priority given to the construction of gas pipelines. In addition, delays in installation of some pumping stations have forced existing pipelines to operate at considerably below capacity.

These additional amounts of crude oil, coupled with delays in completing new oil pipeline and the inability of other carriers to assume any larger share of the petroleum transport burden have put an extra, unplanned burden on rail transport. The 1960 plan for rail transportation of petroleum had to be increased and was overfulfilled by 4.1 million tons.<sup>1/</sup> The Ministry of Rail Transportation anticipates that 9 million tons more petroleum than originally planned will be transported on the railroads in 1961.<sup>2/</sup> Lagging construction of pipelines made it necessary for the railroads to handle an extra 7 billion ton-kilometers of petroleum traffic in 1961.<sup>3/</sup>

Although the railroads overfulfilled the petroleum transportation plans they had some difficulty in coping with the demand for petroleum transportation in 1960 in some areas because of "long delays of tank cars in unloading at petroleum bases, including a few sea ports, because of the irregular arrival of the vessels."<sup>4/</sup> This prevented the tank cars from quickly returning to the loading points for more cargo.

Petroleum tank cars are in tight supply in the USSR and have been for some time. The Ministry of Rail Transportation's Deputy Chief of the Traffic Administration wrote in February 1961 that it

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was "urgent" that the tank car production base be expanded. Earlier, in December 1958, a Soviet newspaper referred to tank cars as "in severely short supply"<sup>5/</sup> and a January 1959 article by the head of the tank car loading section of the Ministry of Rail Transportation complained that the supply of new tank cars to the railroads had decreased in recent years although the need for them was increasing.<sup>6/</sup> He also stressed that an increase in tank car inventory was of the utmost importance to the interests of the growing petroleum industry. Similar statements have appeared elsewhere in the Soviet press. Competitions between the principal rail systems handling petroleum traffic to accelerate tank car turnaround were begun in late 1960 and well publicized in the rail newspaper, Gudok, with the explanation that special efforts would be required in 1960 and 1961 to cope with the anticipated petroleum traffic.

Soviet figures on the production of tank cars have not been published since 1955 when output totaled 4,503, a decline from the preceding year's total of 5,815. Output in 1960 is estimated at about 9,000. Imports of tank cars into the USSR totaled 360 in 1959, the latest year for which data are available. These all came from Yugoslavia.<sup>7/</sup> Imports during 1956-58 totaled 654, an average of 218 per year.<sup>8/</sup> A recently signed trade agreement between the USSR and Japan calls for delivery by Japan of 400 tank cars over a period of several years.<sup>9/</sup>

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Analysts:

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